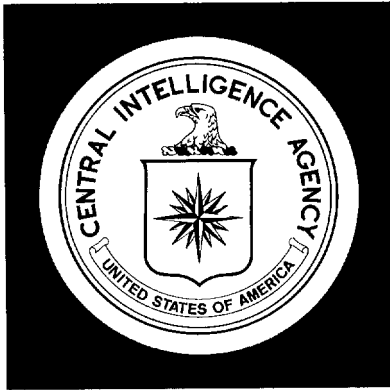


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AUSTRALIA: Prime Minister Whitlam has made his strongest defense to date of the ANZUS Alliance.

In remarks on 25 March to a conference of the Victoria State Labor Party, the stronghold of the party's left, Whitlam emphasized his commitment to agreements covering US military and scientific installations in Australia. He told his audience that the party had no "mandate" to break agreements with the US and warned the leftists not to "blame the Yanks for everything you don't like in this country."

The conference was a significant test of Whitlam's resolve to stand up to his left wing on critical issues affecting relations with the US. The Prime Minister's comments helped defeat a proposed conference resolution calling for removal of the US sites, but an amended resolution opposing the establishment of any new US installations did pass. Although left-wing resistance within the party may force a delay in approval of a US navigational aid station now under consideration, Deputy Prime Minister Barnard has assured the US ambassador that these political problems can be worked out.

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CHILE: The reshuffled cabinet sworn in by President Allende on 27 March is probably a stopgap compromise meant to alleviate growing dissension within his Popular Unity coalition.

The important decision not to reappoint ministers from the armed forces is a concession to the radical wing of Allende's Socialist Party. None of the Socialist ministers named, however, is identified with that group's extremist policy. The retention of only three ministries was probably made palatable to Communist Party leaders by the selection of moderate Socialists and of several additional ministers from insignificant coalition parties.

Allende's assurances that the military will play a major role in further economic development programs are offset by his retention of development chief Vuskovic and other top economic officials proficient in executing radical policies. [REDACTED]

[REDACTED]

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CSCE: The preparatory talks in Helsinki, now in their third round, have been making slow progress.

A working group is trying to produce draft mandates on agenda items that will be considered at the conference itself, tentatively scheduled to begin in June. No real confrontations have developed and the Soviets, who have had to identify and defend their desiderata more specifically than they had intended, appear satisfied with the present rate of progress. Most Western delegates to the talks now agree that the proceedings should move ahead as quickly as possible. Even the nine EC members, who favor a methodical pace, have been taking part fully in the drafting exercise.

The delegations made a little headway last week on some of the most troublesome items in the first "basket" of agenda topics, principles of security. The West Germans have wanted to subordinate the principle of "inviolability of frontiers" to the principle of "non-use of force," fearing that without such a linkage peaceful changes, such as the reunification of Germany, might be precluded. They now seem willing, however, to accept a more tenuous connection. Moscow, concerned with legitimizing the present boundaries in Europe, wants "inviolability of frontiers" listed separately and prominently.

There has also been movement on "confidence-building measures." The UK has offered language providing for the notification of other countries in advance of certain types of military activity. Although the Soviets have reacted positively, they are still attempting to exclude some military movements from advance notification provisions.]

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The working group has now moved on to the second "basket," economic cooperation, and is expected to begin discussing concurrently the third "basket," human contacts, by the end of the week.

The US delegation expects that when this round of the preparatory talks recesses for two weeks on 6 April, draft mandates will have been produced on the topics in all three "baskets" under discussion. These mandates will be far from their final versions and will be the subject of intensive NATO consultations during the break. The Soviets hope that the fourth "basket" of topics, concerning the establishment of follow-on machinery to the CSCE, will also be dealt with before the break. Most Allies retain serious reservations about making CSCE in any way permanent. [REDACTED]

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INDIA: The outlook for the important spring wheat crop has improved as a result of favorable weather conditions during the past month, but the food situation remains very tight.

Widespread rain fell in the wheat-growing northern and western parts of the country and the weather was moderately cool. Drought, however, continued to plague most of the areas planted to other spring crops.

The effect of the drought may be more widespread than officials believed earlier. Officials of West Bengal, Orissa, and Bihar states recently have indicated to US representatives their need for increased emergency food assistance from US volunteer agencies. These states were not previously thought to have been seriously affected by drought conditions this year.

The improved prospects for the wheat crop--which accounts for two thirds of total spring foodgrains--probably have reinforced India's earlier decision to delay further large-scale food-grain imports. Despite acute grain shortages following last year's erratic monsoon, India has only purchased about 1.65 million tons of foodgrains since entering the world market last December. Tight world supplies and high prices apparently have influenced New Delhi to keep foreign purchases to a bare minimum. [REDACTED]

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ALGERIA: The government's priority foreign policy objective is a successful nonaligned conference this fall.

The Algerians are sparing no effort in preparing for the fourth nonaligned meeting in September.



Conscious of the bitterness among Asian nations aroused by the choice of Algeria rather than Sri Lanka to host the forthcoming summit, the Algerians are subordinating potentially contentious issues between invited states. For example, the Pakistani ambassador has been informed that Algeria intends to establish diplomatic relations this spring with Bangladesh and to invite that country to the conference. As a sop to the Pakistanis, whom the Algerians wholeheartedly supported during the war, the Algerians promised to do their best to persuade Dacca to agree to the release of Pakistani prisoners of war. Algiers, however, declined to make the establishment of relations with Dacca conditional on prisoner release.



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VIETNAM: The bilateral talks in Paris between the Thieu government and the Viet Cong are making little progress. After three formal sessions, the two sides have agreed that the agenda should include the question of general elections for South Vietnam and the creation of the Council for National Reconciliation and Concord. Saigon wants to add the question of the demobilization of Vietnamese armed forces, including the withdrawal of Hanoi's troops; the Viet Cong want the subject of "democratic liberties" in South Vietnam on the agenda. Each side is trying to pin responsibility on the other for the slow pace of the talks, and both may be waiting to see what happens after the completion of US troop withdrawals this week and President Thieu's meeting with President Nixon next week. [REDACTED]

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JAPAN: The central bank is intervening heavily in Tokyo's foreign exchange market to maintain the yen appreciation of about 16 percent compared with its old central rate. During the last two days, the Bank of Japan sold an estimated \$240 million to prevent strong demand for dollars from eroding the yen-dollar exchange rate. Sales by the bank reflect the need of commercial banks to rebuild dollar balances to required end-of-the-month levels, the continued rapid growth in imports, and the special payments to the US for uranium enrichment services and equipment for nuclear power plants. Some weakening of the dollar in Tokyo is likely after the end of the month, and contracts to buy yen in the future indicate an eventual higher appreciation. [REDACTED]

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